CONFIDENTIAL

Exportline

Export Finance Systems, LLC

44 Montgomery Street
Suite 4240
San Francisco, California 94104

Investment Memorandum

November 1995

Export Finance Systems, LLC

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EXECUTIVE SUMMARY

Historically, small to medium-size U. S. exporters have found it difficult to finance their export receivables with commercial banks and finance companies. This problem has become critical in recent years as many commercial banks have withdrawn entirely from international trade financing. The regional banks still active internationally prefer to work with larger exporters who have strong credit ratings, and require less operational servicing for the bank's limited international trade finance personnel. In addition to credit issues and high servicing costs, the banks are also concerned about the capability of small to medium-size exporters to properly administer their export receivables and credit insurance policies.

Economists generally concur that small to medium-size companies represent the greatest potential for future increases in U.S. exports and jobs. **However, the lack of readily available export financing is one of the major constraints on these companies, and the growth of exports and jobs in the U.S.**

Export Finance Systems, LLC (EFS) has been established to specialize in providing export finance and receivables administration services to small and medium-size companies, and participating financial institutions on a national basis under the trade style *Exportline*.

Under the *Exportline* program, EFS's export finance and receivables administration services will enable small and medium size exporters to obtain financing from participating financial institutions on their export trade receivables (up to180 days), and medium term notes up to five years. These short term export receivables and medium term notes will be secured against non-payment by export credit insurance policies underwritten by The Export-Import Bank of the United States (Eximbank), and highly rated private export credit insurance companies. EFS will take a 25% participation in the insured short term export loans of participating financial institutions.

The export loans of EFS and participating financial institutions secured by insured/guaranteed receivables and notes can also be securitized by pooling them in trusts administered by EFS. Participations in the trusts will be sold to pension funds and other institutional investors.

EFS intends to provide the highest level of service to its export customers, and reduce transaction costs by taking advantage of the latest advances in computer and telecommunications technology. The company is developing a state of the art on-line computer/telecommunications software system which will integrate all aspects of the export trade finance transaction, including tracking of export sales orders, shipments, receivables, payments, electronic storage and retrieval of shipping documents, monitoring buyer credit limits, exporter's credit lines, compliance with export credit insurance policies, reporting requirements and facilitating claims payments.

The integrated on-line computer/telecommunications systems of EFS will enable small to medium-size companies located throughout the United States to efficiently and economically "outsource" the administration of their insured export receivables, while still retaining primary responsibility for their collection. EFS's integrated systems support the export financing provided by participating financial institutions, and also facilitate the process of "securitizing" the insured export loans, which will significantly reduce funding costs.

Management

Mr. John G. Olsen, President of EFS has for three decades been involved in the related fields of export finance, credit insurance, international trade and investment banking. Over the years Mr. Olsen has participated in the financing of more than a billion dollars of Eximbank insured export shipments.. He has been acutely aware of the opportunities and problems involved in financing the insured export receivables of small to medium-size companies.

Mr. Robert S. Martin, Vice President and Chief Financial Officer of EFS has over twenty years experience as a senior financial and operations officer of major financial services and telecommunications companies. He has had extensive experience in the areas of mergers and acquisitions, SEC reporting, investment banking and is a Certified Public Accountant.

Mr. Robert H. Hart, Vice President of EFS has over 15 years experience in all aspects of international trade, marketing, operations, and finance. He has been involved in complex trade and finance operations in Eastern and Central Europe (including the Newly Independent States of the former Soviet Union), Latin America and the Pacific Rim. He has assisted many U. S. exporters in conducting trade in these markets.

Please see page 35, Management, Organization, and Resources for more detailed information on the background of EFS's management.

EFS management has identified key marketing and operations personnel with extensive experience in trade finance, who have expressed an interest in joining the company when it becomes operational.

With passage by Congress last year of the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT), the future of world trade and U.S. exports is very promising. **In this increasingly competitive world trade environment, the ready availability of export credit facilities becomes critical for small to medium-size companies to continue the growth of their export sales. This expanding international trade environment presents an opportune time for the start-up of Export Finance Systems, LLC.**

EFS will operate as a Limted Liability Company. To fund its business, EFS is seeking $14,000,000 in Capital from prospective members consisting of $4,000,000 of Common

Interests and $10,000,000 in Participating Preferred Interests. After five years the investors can expect an annualized Internal Rate of Return in excess of 32% on the Common Interests and 13% on the Preferred Interests.

Please refer to Export Finance Systems: Investment Opportunity page 49, and Appendices L & M for details on financial projections.

B.

PURPOSE OF THE BUSINESS

Business Overview and Objectives

Export Finance Systems, LLC (EFS) will specialize in providing export finance and receivables administration services to small and medium-size companies, and participating financial institutions under the trade style *Exportline*. EFS will market the *Exportline* program on a national basis through its regional marketing offices and participating financial institutions.

Under the *Exportline* program, EFS's export finance and receivables administration services will enable participating financial institutions to finance short term export trade receivables (up to180 days), and medium term notes up to five years. These export loans will be secured against non-payment by export credit insurance policies underwritten by the Export-Import Bank of the U.S. (Eximbank) and top rated private credit insurance companies.

EFS will implement highly integrated computerized operational systems and controls designed to monitor and document the export receivables and medium term notes, including compliance with the credit insurance policies. These computerized operational systems will considerably enhance the credit insurance as security for the insured export financing provided by participating financial institutions. EFS will purchase 25% interests in the insured short term export loans of participating financial institutions.

The export receivables financed by EFS and the participating financial institutions will be securitized by pooling them in two trusts administered by EFS i.e."Government Insured Export Receivables Trust" for Eximbank insured export receivables, and "Insured Trade Receivables Trust" for privately insured export receivables. A separate trust will be established to securitize medium term notes insured/guaranteed by Eximbank. Participations in the trusts will be sold to pension funds and other institutional investors. By securitizing the insured export receivables/notes, EFS and participating financial institutions will be provided a low cost source of funds on an "off balance sheet" basis which will significantly improve their profit margins and important capital/risk asset ratios.

Please see Appendix O.1 for Diagram of Export Receivable Financing Structure.

Background

During the 1980's many U.S. commercial banks decided to withdraw from international trade financing. Consequently, these banks have lost the ability to evaluate foreign receivables, and are anxiously trying to avoid lending against such receivables, particularly to small and medium-size companies which need it the most. These companies do not have extensive assets, and their credit facilities are generally fully utilized for domestic purposes.

The major regional banks which are still active internationally, prefer to work with larger exporters where the economies of scale are greater than servicing small to medium-size

companies. They generally prefer to finance large transactions of at least $10 million or more. In addition to the credit and cost elements, banks are concerned about the capability of small to medium-size companies to properly administer their export credit insurance policies. Also, they are concerned about their own lack of internal operational systems to monitor the exporters' compliance with the terms and conditions of the policies. Most banks do not have experienced trade finance personnel familiar with the complexities of managing the insured export receivables of small to medium-size companies. In recent years, banks have been reducing staff and overhead. They are therefore reluctant to incur the cost of establishing the necessary operational and computer/telecommunications programs, and marketing staff to service the small to medium-size exporter market. Consequently, these companies have found it very difficult to finance their export trade receivables with regional or local banks which puts a strong constraint on their growth prospects.

Economists have recognized that small to medium-size companies account for a significantly high portion of the increase in U.S. exports. Therefore, the management of Eximbank has been under considerable pressure to more effectively deliver export credit insurance and related financing to this growing sector of the export market. At the same time, Eximbank staff is under strict budgetary constraints. Eximbank can more effectively use its limited resources by delivering its services on a wholesale basis through the specialized export finance facilities of EFS, with its dedicated staff and state of the art telecommunications systems.

In order to overcome the inefficiencies and fragmented nature of the small to medium-size exporter market, it is necessary to establish a firm such as EFS, operating on a national basis, to intermediate between Eximbank, private export credit insurers, the participating regional and local financial institutions, numerous U.S. export companies located throughout the United States, and the institutional investors who will purchase the securitized export receivables.

EFS Will Serve The Needs Of:

Exporters - EFS will provide on a national basis the dedicated marketing, operational and funding infrastructure to assure an efficient source of funds for small to medium-size companies. Through EFS's computerized operational systems, these exporters will be able to finance and manage their export receivables, generate working capital to pay their suppliers promptly and take advantage of cash discounts. At the same time they can accommodate their foreign buyers' request for credit terms and thereby increase sales volume. The lack of readily available export financing is a major constraint on the businesses of small and medium-size exporters. Based on the expected increase in U.S. exports and world trade in coming years this problem will only become more important. This situation will create an increasing demand for the export finance and receivables administration services of EFS.

Eximbank and Private Export Credit Insurers - EFS will provide a vehicle for Eximbank and private credit insurers to gain access to small to medium-size exporters

on a cost efficient basis. The national marketing infrastructure of EFS, its computerized operational and telecommunications capability, and professional credit personnel will provide considerable efficiencies to the export credit insurance companies in underwriting coverage for this market. EFS will screen prospective exporters and their buyers for the insurers, and prepare applications for Special Buyer Credit Limits in the format required by the insurers. Through its state of the art telecommunications systems EFS will be on-line with its export customers and with the insurers. By relying on the professional expertise of EFS personnel and its operational systems, Eximbank and the private export credit insurers may gradually extend underwriting authority to the company.

Participating Financial Institutions - EFS will market the *"Exportline"* program through participating financial institutions (commercial banks and finance companies) in various geographic areas throughout the United States. These financial institutions do not have the international trade finance expertise, and computerized operational systems to finance and administer the export receivables of their small to medium-size customers. EFS's integrated on-line export credit systems will enable the participating financial institutions to finance the export receivables of their small and medium-size customers.

EFS marketing personnel will provide the participating financial institutions with marketing material on the *"Exportline"* program. Joint calls will be made on major prospects in the regional areas, and seminars will be held with local financial institutions and export promotion groups in each area. These financial institutions will screen potential prospects for eligibility in the "Exportline" program, and provide EFS with background information on the companies and the pattern of their export sales.

Institutional Investors In Securitized Assets - EFS will provide ongoing servicing to the trusts which purchase and securitize the insured export receivables/notes, and the institutional investors which purchase a beneficial interest in the assets held in the trusts. EFS's services will include collecting and remitting export receivable/note proceeds, following up on past due accounts and processing claims with Eximbank and private credit insurers.

C.

PRODUCT LINES

Overview of Products

The export finance and receivables administrative services of EFS will support the financing of insured short term export trade receivables (up to180 days, exceptionally one year), and medium term notes (up to 5 years) secured by Eximbank's (1) Umbrella Policy with EFS as Administrator, (2) Small Business Policy, (3) Multi-Buyer Policy, (4) Single Buyer Policy, and (5) Medium Term Policy. Also, EFS's administrative services will support the financing of short term export trade receivables (up to180 days, exceptionally one year) insured by Private Insurers' Multi-Buyer and Single Buyer Policies. In addition, EFS will provide export credit administrative services for Pre-Export Financing (secured by Eximbank Working Capital Guarantees) which enable exporters to purchase inventories and pay other pre-export related expenses.

EFS's export finance and receivables administration services provide the following benefits to small and medium-size exporters:

(1) Can offer extended payment terms without the need to tie up limited working capital in accounts receivable.

(2) Increase cash flow without using existing domestic credit lines.

(3) Eliminates the need for foreign buyers to use their own bank credit facilities to open costly letters of credit.

(4) Finance sales expansion without increasing credit and administration personnel.

Financing Eximbank Insured Export Receivables - Secured By:
Umbrella Policy with EFS as Administrator

EFS and participating financial institutions will finance 85% of the export receivables invoice value with payment terms up to 180 days, exceptionally one year. The 15% balance of the invoice value will be paid to the exporter upon receipt of payment from the buyer, less EFS's charges.

$1-3 million annual sales volume-

<u>Average Charges</u>

1. Exporter: 0.42% flat fee per month based on invoice value, plus 2% per annum spread over the prevailing prime interest rate for the period the receivable is outstanding.

2. Financial Institution: 0.25% per month based on invoice value

Eligibility

The exporter must insure a reasonable spread of risk. It cannot select risks to insure.

At least 51% of the product content must be produced or manufactured in the United States.

Together with affiliates, the exporter must not have had more than $3 million in average annual export sales (excluding letters of credit) over the preceding two years.

Meets Small Business Administration definition of "small".

Coverage

The one year blanket Umbrella Policy insures all of an eligible company's short term export credit sales against loss should a foreign buyer default because of political or commercial reasons.

This policy provides coverage against 100% of specified political risks and 95% of all other risks (commercial risks).

There is no first loss annual deductible and Eximbank allows limited discretionary authority under this policy.

There is a "Hold Harmless" Assignment available which protects financial institutions against policy exclusions.

Premium

The premium is based on a rate schedule and depends on the type of buyer and payment terms.

Requirements

Monthly reporting of shipments and premium payment.

Monthly reporting of accounts over 90 days past due in amounts over $100,000.

Claims filing period from 90 days past due up to 240 days from date of default.

Overdue interest cover up to the earlier of 180 days from default or date of claim payment.

Administrator (on behalf of exporter) must apply for Special Buyer Credit Limits for all amounts in excess of the limited discretionary authority.

The Duties of the Administrator Are:

Apply for approval of exporters under the Policy.

Supply Eximbank with the required monthly reports:

1. Shipment and Premium Reports
2. Overdue Reports
3. Financial Difficulty Reports

Apply (on behalf of insured exporters) for Special Buyer Credit Limits (SBCL's).

File claims with Eximbank.

Please see Exhibit I.A for a specimen copy of the Umbrella Policy.

Small Business Policy
EFS and participating financial institutions will finance 85% of the export receivables invoice value with payment terms up to 180 days, exceptionally one year. The 15% balance of the invoice value will be paid to the exporter upon receipt of payment from the buyer, less EFS's charges.

Average Charges

1. Exporter: 0.42% flat fee per month based on invoice value, plus a 2% per annum spread over the prevailing prime rate for the period the receivable is outstanding.

2. Financial Institution: 0.25% per month based on invoice value.

Features of the Small Business Policy
The Eligibility, Coverage, Premium and Requirements for the Small Business Policy are the same as for the Umbrella Policy.

Please see Exhibit I.B for a copy of the Small Business Policy.

Multi-Buyer Policy
EFS and participating financial institutions will finance 75-85% of the export receivables invoice value with payment terms up to 180 days, exceptionally one year. The percentage of finance will depend on the size of the annual first loss deductible amount under the Eximbank Multi-Buyer Policy and the credit standing of the exporter. Once there is a sufficient reserve to cover the deductible amount, the percentage financed can be increased to 85%. The balance of 15-25% of the invoice value will be paid to the exporter after receipt of payment from the buyer, less EFS's charges and maintenance of the appropriate reserve for the deductible amount.

Average charges
(1) $3-9 million annual sales volume -

(a) Exporter: 0.35% flat fee per month based on the invoice value, plus a spread of 1% per annum over the prevailing prime interest rate for the period the receivable is outstanding.

(b) Financial Institution: 0.15% flat fee per month based on the invoice value.

(2) $9 million plus annual sales volume -

(a) Exporter: 0.15% flat fee per month based on invoice value plus the prevailing prime interest rate for the period the receivable is outstanding.

(b) Financial Institution: 0.10% flat fee per month based on invoice value.

Eligibility
The exporter must insure a reasonable spread of risk. It cannot select risks to insure.

At least 51% of the product content must be produced or manufactured in the United States.

Coverage
The Multi-Buyer Policy is issued for a period of one year and covers all of a company's eligible short term export sales against loss should a foreign buyer default because of political or commercial reasons.

The policy provides optional coverages: (1) 90% commercial and 100% political or (2) equalized 95% commercial and 95% political.

The policy has a negotiated first loss deductible amount and a discretionary credit limit which enables the exporter to commit transactions under the policy without prior approval of Eximbank.

There are no limitations on the size of an exporters annual sales volume in order to be eligible for this policy.

Premium
The premium is one rate based on volume, spread of risk and payment terms.

Requirements
Monthly reporting of shipments and premium payments on those shipments.

Monthly reporting of accounts over 90 days past due in amounts of $100,000 or greater.

Claim filing period from 90 days past due up to 240 days from date of default.

Overdue interest cover up to the earlier of 180 days from default or date of claim payment.

Exporter must apply to Eximbank for Special Buyer Credit Limits for all amounts in excess of their discretionary credit authority.

Please see Exhibit I.C for a specimen copy of the Multi-Buyer Policy.

Single Buyer Policy
EFS and participating financial institutions will finance 85% of the export receivables invoice value with payment terms up to 180 days, exceptionally one year. The 15% balance of the invoice value will be paid to the exporter upon receipt of payment from the buyer, less EFS's charges.

Average Charges
1. Exporter: 0.15% flat fee per month based on invoice value, plus the prevailing prime interest rate for the period the receivable is outstanding.

2. Financial Institution: 0.10% flat fee per month based on invoice value.

Eligibility
Covers shipments to individually selected buyers, either for single shipment or repetitive shipments over a designated policy period. There is no spread of risk requirement.

At least 51% of the product content must be produced or manufactured in the United States.

Coverage
The Short Term Single Buyer Policy provides 90% comprehensive (commercial and political risks) coverage and has no first loss annual deductible.

The exporter has no discretionary credit limit under this policy, and must get a Special Buyer Credit Limit Approval for the buyer from Eximbank.

Premium
Premium rates are risk based. Rates are quoted by Eximbank based on country of import, payment terms and whether the buyer is private company, sovereign entity or there is a local bank guarantee. Eximbank provides a 90 day commitment on approvals. This binds the premium rate, country and terms for that period.

Requirements
Monthly reporting of shipments and premiums.

Monthly reporting of any payments 90 days or more past due in excess of $100,000.

Claims filing period from 90 days past due up to 240 days from date of default.

Overdue interest cover up to the earlier of 180 days from default or date of claim payment.

Please see Exhibit I.D for a copy of the Single Buyer Policy.

Medium Term Policy
Under the medium term policy the foreign buyer is required to make a 15% cash down payment on or before shipment. The 85% financed balance is covered by a promissory note (in the form prescribed by Eximbank), and is payable on terms up to five years with semi-annual installments of principal and interest. EFS will purchase 100% of the principal balance of the note.

Average Charges
1.00% flat fee based on the 85% financed balance plus 1.50% p. a. over the five year treasury note rate for fixed rate transactions. For floating rate transactions the interest rate will be 1.50% p.a. over the six month treasury bill rate.

Eligibility
Covers shipments to buyers approved by Eximbank either for single shipment or repetitive shipments over a designated policy period. There is no spread of risk requirement for medium term transactions.

At least 85% of the product content must be produced or manufactured in the United States

Coverage
The Medium Term Policy provides 100% comprehensive (commercial and political risks) coverage and has no first loss annual deductible.

Eximbank also provides the financial institution with a "hold harmless" agreement which protects against product and documentary disputes between the buyer and seller.

Premium
Premium rates are risk based. Rates are quoted by Eximbank based on the country of import, payment terms and whether the buyer is a private company, sovereign entity or there is a local bank guarantee.

Requirements
There is a limit of $10 million for each transaction after deduction of the 15% cash down payment. However there can be several separate transactions of up to $10

million each to any one buyer provided the buyer is creditworthy for the amounts involved.

Monthly reporting of shipments and premiums

Monthly reporting of any payments more than 60 days past due.

For commercial default claims there is a 180 day waiting period after date of default before a claim can be filed. For claims resulting from insolvency of the buyer or for political risks, there is generally no waiting period. The latest date for filing a claim is 240 days after the date of default.

Overdue interest cover up to the earlier of 240 days from date of default or date of claim payment, which ever is earlier.

Please see Exhibit I.E for a copy of the Medium Term Policy.

Financing Privately Insured Export Receivables - Secured by:
Multi-Buyer Policies

These Policies are issued by American International Group (AIG), FCIA Management, Inc./Great American and Trade Underwriters/Reliance Insurance.

EFS and participating financial institutions will finance 75-85% of the export receivables invoice value with payment terms up to 180 days, exceptionally one year. The percentage financed will depend on the size of the annual first loss deductible amount under the private insurers' Multi-Buyer Policies and the credit standing of the exporter. Once there is sufficient reserve to cover the deductible amount, the financed percentage can be increased to 85%. The balance of 15-25% of the invoice value will be paid to the exporter after receipt of payment from the buyer, less EFS's charges and maintenance of the appropriate reserve for the deductible amount.

Average Charges

(1) $3-9 million annual sales volume -

(a) Exporter: 0.35% flat fee per month based on invoice value, plus a spread of 1% per annum over the prevailing prime rate for the period the receivable is outstanding.

(b) Financial Institution: 0.15% flat fee based on invoice value.

(2) $9 million plus annual sales volume -

(a) Exporter: 0.15% flat fee per month based on invoice value, plus the prevailing prime rate for the period the receivable is outstanding.

(b) Financial Institution: 0.10% flat fee per month based on invoice value.

Coverage
The privately insured Multi-Buyer policies are issued for a period of one year and cover all of a company's eligible short term export sales against loss should a foreign buyer default because of commercial or political reasons.

These policies generally provide 85-95% comprehensive (commercial and political risk) coverage.

The policies have a negotiated first loss annual deductible amount, and a discretionary credit limit which enables the exporter to commit transactions under the policy without the prior approval of the insurers.

Requirements
Reporting of shipments and premium is monthly on certain insurance company policies. On others premium is paid in advance, with adjustment at end of policy period and shipments are declared on a quarterly basis.

Monthly reporting of all accounts more than 90 days past due which are over agreed-upon amounts.

Claims filing periods generally range from 90-180 days for protracted default, depending on the insurance company. There is usually no waiting period for insolvency claims.

Overdue interest coverage is up to the earlier of 180 days from default or date of claim payment for Great American and Reliance Insurance companies. AIG Credit and Political Risk Inc. pays interest up to the date of default.

Please see Exhibit II.A for copies of Multi-Buyer policies issued by the Private Insurers.

Single Buyer Policies
These policies are issued by FCIA Management, Inc./Great American and Trade Underwriters/Reliance Insurance.

EFS and participating financial institutions will finance 75-85% of the export receivables invoice value with payment terms up to 180 days, exceptionally one year. The 15-25% balance of the invoice value will be paid to the exporter upon receipt of payment from the buyer, less EFS's charges.

Average Charges
1. Exporter: 0.35% flat fee per month based on invoice value, plus 1% per annum over the prevailing prime interest rate for the period the receivable is outstanding.

2. Financial Institution: 0.15% flat fee per month based on invoice value.

Coverage
The Short Term Single Buyer Policy of the private insurers is for orders to a single buyer; and therefore does not require a spread of risk on export sales.

The Single Buyer Policies generally cover 80-90% Comprehensive (commercial and political risks) coverage, and have no first loss annual deductible amount. The exporter has no discretionary credit authority under this policy, and must get a Buyer Credit Limit Approval from the private insurers.

Requirements
Reporting of shipments and premium is monthly on certain company policies. On others, premium is paid in advance, with adjustment at end of policy period and shipments declared on a quarterly basis.

Monthly reporting of all accounts more than 90 days past due which are over agreed-upon amounts.

Claims filing periods generally range from 90-180 days for protracted default, depending on the insurance company. There is usually no waiting period for insolvency claims.

Overdue interest cover is up to the earlier of 180 days from default or date of claim payment.

Please see Exhibit II.B for copies of Single Buyer Policies issued by the Private Insurers.

Pre-Export Financing Secured by Eximbank Working Capital Guarantees
Under the Working Capital Guarantee Program, Eximbank will provide guarantees to financial institutions to support their secured working capital loans for a period up to one year, to small and medium-sized exporters. Loan proceeds can be used by the exporter for the following:

1. To acquire inventory and pay for direct and indirect costs (e.g., labor and overhead) used for the manufacture of goods (including work in progress), or for the purchase of goods or services.

2. To support stand-by letters of credit used as bid bonds, performance bonds or payment guarantees to foreign buyers.

Coverage: 90% of the loan value. The financial institution must retain a 10% risk in the loan. The lender is not permitted to separately collateralize its retained 10% risk, unless the transaction is processed under Delegated Authority.

Collateral: The loan must be 100% collateralized by export related inventory and accounts receivable, with the exception of loan disbursements used to support bid and performance bonds to foreign buyers which need only be collateralized at 50%. The lender must obtain a valid and enforceable first priority security interest in the collateral. The accounts receivable must generally be covered by export credit insurance issued by Eximbank or private credit insurers approved by Eximbank.

Eximbank Fees: - $100 application fee, plus a non refundable facility fee of 1.5% per annum of the loan amount is paid by the lender, which is reimbursed by the exporter.

EFS Charges:

1. Exporter: 0.15% flat fee per month based on the invoice value, plus the prevailing prime rate during the period the loan is outstanding.

2. Financial Institution: 0.10% flat fee per month based on the invoice value.

Please see Exhibit III for a copy of the Eximbank Working Capital Guarantee Program.

Product Development Issues

Several important product development issues are:

1. Accepting Eximbank regular Assignment of Policy Proceeds as security for financing receivables under the Short Term Multi-Buyer Policies. Under these policies the exporter (insured) must comply with all the terms and conditions of the policies to have an insured transaction. Non-payment of premium, shipping on payment terms not approved by the policy, shipping to buyers not covered by either Special Buyer Credit Limits or Discretionary Credit Limits, product or other trade disputes not settled to the satisfaction of Eximbank, etc. are all potential grounds for non-payment of a claim.

   These non-compliance with policy terms and conditions risks can be managed by selecting good exporters with a sound track record, adequate credit standing for the first loss deductible amount or sufficient withheld reserve, EFS's strong computerized operational systems, controls to monitor the export credit insurance and related receivables, and avoiding undue concentration in receivable risks.

2. Financing Receivables secured by export credit insurance policies issued by private insurers such as AIG, FCIA/Great American and Trade Underwriters/Reliance Insurance. Export credit insurance policies issued by these companies are a

growing segment of the market. Policies issued by these private insurers are not constrained by product origin, and other national policy issues which limit eligibility to Eximbank's programs. Consequently, the acceptability of the private insurance company's export insurance policies as security for financing export receivables can be an important part of EFS's business. This involves evaluating the financial strength and ratings of the various private export credit insurers, the types of policy coverages and often longer waiting periods for filing claims in certain markets.

3. Limited Discretionary authority under Eximbank's Umbrella and Small Business Policies. Presently Eximbank only provides limited discretionary credit authority under these policies. In order to expedite approval of individual transactions, Eximbank must approve higher discretionary limits for the exporters. Eximbank appears to be slowly moving in this direction. EFS's highly professional staff and strong computerized operational systems and controls may induce Eximbank to grant higher discretionary limits to its clients.

4. How to Handle Co-Insurance and First Loss Annual Deductible Risk.
   There is a 5-10% co-insurance risk under Eximbank policies and 10-20% under private insurance policies. EFS has mitigated this risk by reducing the percentage of receivable finance value. The First Loss Annual Deductible risk is approximately 1/2-1% of annual sales volume, but can vary depending on volume, payment terms, required discretionary credit limit and spread of risk (countries). This risk is mitigated by having full recourse to the exporter for the Deductible Amount, and/or decreasing the financed percentage value of the export receivable in order to build up adequate reserves.

5. Development of Computerized Operational Systems.
   EFS must develop computerized operational systems for the financing, funding, monitoring and securitizing of export trade receivables. EFS's internal operating systems will be on-line with exporter systems developed to standardize the documentary flow of information. EFS must evaluate the capability and cost of new computer/telecommunications technology to accomplish these tasks.

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THE MARKET, TIMING AND COMPETITION

Potential Market

Total U.S. exports increased from $241 billion in 1987 to $502 billion in 1994. This has resulted in an average annual growth rate of approximately12% for the seven year period 1987 to 1994. During the economic slowdown from 1989 to 1992 exports contributed almost all of the job growth in manufacturing industries, and accounted for 93% of the total growth in the U.S. economy.

If total U.S. exports continue to grow at the average growth rate of 12% per year, as they have for the past seven years, total U.S. exports in the year 2000 should approach one trillion dollars.

With passage last year of the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT), and continued economic recovery in Europe and Asia, the future of world trade and U.S. exports is very promising.

Foreign Markets for U.S. Goods and Services

Major Foreign Countries

The 14 major foreign markets in 1993 for U.S. exports in billions of U.S. dollars, and their percentage of total U.S. exports are:

Canada	$100.2 (21.56%)	France	$ 13.3 (2.86%)
Japan	$ 48.0 (10.33%)	Netherlands	$ 12.8 (2.76%)
Mexico	$ 41.6 (8.97%)	Singapore	$ 11.7 (2.51%)
United Kingdom	$ 26.4 (5.68%)	Hong Kong	$ 9.9 (2.12%)
Germany	$ 19.0 (4.08%)	Belgium	$ 8.9 (1.91%)
Taiwan	$ 16.3 (3.50%)	China	$ 8.8 (1.89%)
South Korea	$ 14.8 (3.18%)	Australia	$ 8.3 (1.78%)
		Total	$340.0

The above fourteen countries accounted for 73% of total U.S. exports of $464.8 billion in 1993.

Regional Export Markets For U.S. Products

Asia/Pacific

U.S. exports to the Asia/Pacific region (includes only major countries) in 1993 were $133.7 billion which was 28.8% of total U.S. exports.

U.S. exports to the Newly Industrialized Countries (so-called Asian tigers, which include South Korea, Taiwan, Hong Kong and Singapore) were $52.6 billion which was 11.3% of total U .S. exports.

U.S. exports to the Chinese Dragons (China, Hong Kong and Taiwan) were $34.9 billion which was 7.5% of total U.S. exports.

The Asia/Pacific region is now the largest regional market for U.S. exports, having surpassed the European Union several years ago.

European Union
U.S. exports to the European Union in 1993 were $97.0 billion which was 20.86% of total U.S. exports. Four countries (Germany, United Kingdom, France and the Netherlands) accounted for 74% of the total exports to this region.

Exports to the European Union have been considerably reduced in recent years because of the severe recessions in most of the European countries particularly the United Kingdom and Germany. For the past year the United Kingdom, and more recently Germany, have begun to pull out of their deep recession, and appear to be on the road to economic recovery. This should pave the way for growth throughout the region. In better times, the countries of the European Union purchased in excess of 25% of U.S. exports. By bringing the ratio back to levels before the recession, economists estimate an additional $24 billion of U. S. exports could be generated in 1995/1996.

Latin America
U.S. exports to Latin America (includes only major countries) in 1993 were $61.9 billion which was 13.34% of total U.S. exports. Mexico alone accounted for 67% of the total exports to this region.

Historically, Latin American countries have had a strong preference for U.S. products. During the period 1990-1993 U.S. exports to Mexico increased 39.64%. Recent adverse economic developments in Mexico with the severe drop in the value of the peso will significantly reduce U. S. exports to this country for the next year or so.

Major California Foreign Markets
California is the United States number one trading state. Its export volume of $80 billion in 1994 represents 1/6th of the total U.S. exports. From 1987 to 1992, California's sales abroad have increased at an average rate of 15% per year, much higher than the rate of the rest of the country. During 1993 the rate of increase in exports was only 2% due to an economic slowdown in most of California's major export markets. For 1994, California exports showed an increase of nearly 15%.

The following chart represents California's 15 major export markets (in billions of U.S. dollars) for 1993, the percentage they represent of total California exports, California's percentage of total U.S. exports to these countries and the percentage of change in these markets for the period 1990-1993.

Country	Amount	% of Total CA. Exports	CA. % of U.S. Exports	% of Change 1990-1993
Japan	$10.5	14.94	21.90	2.30
Canada	7.7	10.95	7.68	32.50
Mexico	6.5	9.27	15.66	39.64
Taiwan	4.7	6.71	29.03	49.07
South Korea	4.1	5.88	27.96	9.05
Singapore	3.7	5.27	31.72	40.34
Germany	3.5	4.99	18.52	-3.81
United Kingdom	3.4	4.94	13.17	3.45
Hong Kong	3.0	4.33	30.80	80.58
France	2.2	3.20	16.93	4.61
Netherlands	2.1	2.98	16.32	15.48
Australia	1.7	2.40	20.39	11.80
China	1.6	2.29	18.38	145.58
Malaysia	1.5	2.17	25.12	23.62
Italy	1.1	1.63	17.76	-14.78
Total	$57.3			

Regional Export Markets For California Products

Asia/Pacific

Total California exports to the Asia/Pacific region in 1993 were $33.8 billion representing 48.1% of total California exports, and 25% of total U.S. exports to this region of $133.7 billion.

The Asia/Pacific region is the largest regional market for California, far surpassing the European Union with 20.78% and Latin America with 11.56% of California exports in 1993.

Although the rate of increase in California exports to Japan hardly increased at all during the period 1990-1993, exports to the other Asia/Pacific countries increased dramatically during this period. For instance California exports to Taiwan increased 49.07%, Singapore 40.34%, Hong Kong 80.58%, Malaysia 23.62%, and China 145.58%.

European Union

Total California exports to the European Union in 1993 were $14.6 billion representing 20.78% of total California exports, and 15.07% of total U.S. exports to this Region of $96.9 billion. The decline in California exports to the European Union during the last three years is graphically illustrated by the negative or very low growth rates of -3.8% for Germany, 3.4% for the United Kingdom and 4.61% for France.

With improving economic conditions in the European countries, particularly in the United Kingdom and Germany, it is expected that California will benefit proportionately from the anticipated increase in U.S. exports to this region in 1995.

Latin America

Total California exports to Latin America in 1993 were $8.127 billion representing 11.56% of total California exports, and 13.13% of total U.S. exports to this region.

In 1993 California exports to Mexico of $6.5 billion represented 80% of its total exports of $8.1 billion to Latin America, 9.27% of its total exports, and represented 15.66% of total U.S. exports to Mexico. The recent economic and political problems in Mexico will cause a severe drop in California exports to this country for the next few years.

Please see Exhibit IV for detailed charts on California and U.S. Export Markets.

Role of Small and Medium-Size Exporters

Commerce Department statistics, based on 1987 economic census data, indicate that small and medium-size exporters represented 29% of the dollar value of export shipments, and 96% of exporters. This equates to $69 billion of the $241 billion U.S. exports in 1987.

An economic census is conducted every five years, and an analysis of the 1992 effort is presently underway. Because of budgetary constraints and the immense nature of the project, the 1992 census figures related to exporter profile will not be available until early in 1996.

Commerce Department officials state that the percentage of dollar value of exports for the years since 1987 by the very largest U. S. exporting companies has remained relatively constant. Since their own studies are still in process, this conclusion is derived from outside periodic reports on the export shipments of a group of very large exporters whose composition is in most respects similar to the companies included in their database for very large exporters. Extrapolating from this, they are fairly confident that the percentage of dollar value of export shipments by small and medium-size exporters also has remained constant at the very least, or possibly increased somewhat during this period. They believe that the 1992 economic census data when completed will confirm this trend.

Based on U.S. exports of $502 billion in 1994, and the above assumptions, the portion of U.S. exports generated by small and medium-sized companies was $146 billion. Commerce Department officials believe that many additional companies have entered the export markets since 1987, and this growing base of small and medium-size exporters have substantially increased their shipments in order to maintain their market share of the huge increase in total U.S. exports during this period.

The accounting firm of BDO Seidman, which specializes in middle market companies, substantiates the foregoing in its 1993 "Pulse of the Middle Market" study. This study confirms that almost half of the 1,762 surveyed companies with total sales under $100 million exported their products in 1993, which was up from 36% in 1990.

Market Timing and Competition

As previously mentioned, commercial banks have been reluctant to finance the export receivables of small to medium-size companies. Occasionally, a commercial bank may agree as an exception to finance the export receivables of a very good customer which has its own export credit insurance policy. The bank must rely on the good faith performance of the exporter since it does not have the operational capability to monitor the exporter's compliance with its export credit insurance policy. Commercial banks may provide pre-export loans to finance the acquisition of raw materials, and other related expenses for the manufacture of products destined for export which are secured by Eximbank Working Capital Guarantees. Under this program the inventories and resulting export receivables are pledged to the bank as a source of repayment for the pre-export financing. Please see page 20 for a description of the Eximbank Working Capital Guarantee Program.

Nations Bank provides export factoring services as a member of Factors Chain International (FCI). Under this factoring program, the FCI member in the buyer's country assumes the credit risk, and is responsible for collection of the receivables. It is allocated a portion of the factoring fees for these services. Most of the FCI members are located in the major developed countries with only a limited number of members in the lesser developed countries. Because of its structure, this factoring program does not use export credit insurance. The significant restrictions on this export factoring program are the limited number of FCI members in the lesser developed countries (which account for a growing portion of U.S. exports), the often negative connotation of "factoring", and the sharing of a significant portion of fees with the participating member in the buyer's country.

First Interstate Bank of Oregon (FIBOR) has had for many years its First Assured Export Program (FAEP). Under the FAEP Program FIBOR agrees to purchase the approved export receivables of an exporter, and pay the exporter an agreed number of days from the due date of the receivable. FIBOR insures this receivable under its own Eximbank insurance policy. Based on its agreement to purchase the export receivable, FIBOR will also agree to make an export loan against their commitment to purchase the receivable. This FAEP Program of FIBOR has had some success over the years in the local Oregon market and in neighboring states in the Northwest. However, it is a very cumbersome program, because of its two stage process of purchasing the insured export receivable with a delayed payment mechanism, and then lending against the receivable.

Although other companies have also identified the need for providing export finance facilities to the small to medium-size company market, none of them has the perspective and professional experience of EFS's management in this highly specialized field. Considering the early stage of the industry for specialized export finance entities serving the small to medium-size market, and the strong potential for increased exports from this sector in coming years, this is a very opportune time for launching EFS's export finance systems business.

E

MARKETING AND SALES

U.S. Regional Sales Markets

As previously indicated, total current annual U.S. export sales of approximately $500 billion are expected to increase to nearly one trillion dollars in the year 2000 based on the annual average growth rate of 12% for the past seven years. The concentration of this growth in exports will most likely take place in the 10 major U.S. exporting states which accounted for 64 % of total U.S. exports in 1993. These states are:

California	$70.3	(15.12%)	Ohio	$19.4	(4.17%)
Texas	$52.2	(11.23%)	Illinois	$18.9	(4.07%)
New York	$36.4	(7.83%)	Florida	$18.2	(3.92%)
Washington	$29.4	(6.33%)	Louisiana	$15.2	(3.27%)
Michigan	$25.1	(5.40%)	Pennsylvania	$12.3	(2.65%)
				$297.4	

The West Coast states of California and Washington were the first and fourth largest exporting states. Their combined exports totaled $100 billion in 1993 and represent 21.45% of total U.S. exports.

The largest foreign regional growth markets for U.S. exports in the next several years will be Asia/ Pacific and to a lesser extent Latin America because of the infrastructure developments taking place in these areas. It is expected that more than half of the growth in U.S. exports during the next decade will come in the Asia/Pacific countries (other than Japan) and Latin America . This will significantly benefit companies located in the Western states such as California because of established trading patterns and geographic proximity to these regions. Therefore, EFS will concentrate its initial marketing efforts on the Western states, with particular emphasis in California and Washington.

In the third quarter of 1996, EFS will open a regional marketing office in Houston, Texas to serve the large exporting states in the Southern U.S. The states of Texas, Louisiana and Florida had combined exports of $85.6 billion in 1993. The energy equipment industry which is heavily concentrated in Texas and Louisiana is expecting increased exports of equipment and parts to develop large petroleum and gas reserves, as well as oil and chemical refineries in Asia/Pacific, Latin America, and some of the newly independent states of the former Soviet Union. These Southern states are also well positioned to participate in increased general export sales to Latin America.

In early 1997, EFS will open an office in the Chicago area to cover industrial companies located in the Midwest. The large states of Michigan, Ohio and Illinois had combined exports in 1993 of $63.4 billion.

By mid1997, EFS will open a regional marketing office in the New York area to develop export accounts on the Eastern seaboard.

Target Industries
EFS will primarily target manufacturing and wholesale companies in high value exporting industries. Such industries include telecommunications, computers, electronic equipment, medical instrumentation, measuring devices, transportation equipment and parts, environmental equipment, and various types of industrial products and parts.

Manufacturing and wholesale companies which produce and/or sell high value products which are in strong demand in foreign markets, generally have larger gross profit margins than producers and wholesalers of agricultural products and other types of commodities. Small to medium-size high value added manufacturing and wholesale companies can rationalize EFS's charges by the incremental gross profits generated by the additional sales made possible by EFS's export finance services.

Target Companies and Revenues
Assuming that small and medium-size companies represented 29% or $146 billion of total U. S. exports in 1994, then California alone would account for approximately $22 billion of this market.

EFS has purchased a private data base which identifies a selected list of California exporters. Using the criteria of companies with total sales of $1 to $100 million, that have export sales ranging from $.5 to $25 million, the data base identifies 1,921 prospect companies with combined export sales ranging between $3.7 and $10.5 billion. A similar data base exists for the state of Washington.

Since EFS is initially focusing its marketing efforts on exporters located in California and other Western states, there appear to be ample prospects for EFS to achieve its goal of 19 new customers in its first year of operations.

In its fifth year of operations, EFS is projecting 200 customers and $944 million of short term export shipments. Assuming that by the year 2000 U.S. exports will be approaching one trillion dollars, and market percentages remain relatively constant, then small and medium-size exporters will account for $300 billion of U.S. exports. Financed shipments by EFS and participating financial institutions would represent less than .3% of this amount.

On Short Term transactions, EFS will focus its sales efforts on manufacturing/wholesale companies whose export sales range from $1-15 million. The size classification of accounts broken down by annual volume of export sales are:

(1) Small Accounts - $1-3 million with average annual export sales of $2 million.

(2) Medium Accounts - $3-9 million, with average annual export sales of $6 million.

(3) Large Accounts - $9-12 million plus with average annual export sales of $10.5 million.

The projected number of accounts, export shipment volumes and fee revenues generated by small, medium and large short term accounts, and medium term transactions for the five year period are:

Short Term

Exporters	Year 1	Year 2	Year 3	Year 4	Year 5
			Number of Exporters End of Year		
Small	8	29	47	67	88
Medium	7	16	28	46	62
Large	4	14	25	37	50
Total	19	59	100	150	200
			(000's Omitted)		
Annual Ship. Vol.					
Small	$ 5,833	$ 37,000	$ 77,167	$116,833	$155,000
Medium	14,000	68,000	132,000	222,000	330,500
Large	13,125	92,750	201,250	329,000	458,500
Total	32,958	$197,750	$410,417	$667,833	$944,000
Revenue-Serv. Fees					
Small	117	649	1,160	1,756	2,330
Medium	210	850	1,320	2,220	3,305
Large	98	621	1,006	1,645	2,292
Total	$ 425	$ 2,120	$ 3,486	$ 5,621	$7,927
% Avg. Ser. Fee	1.29%	1.07%	0.85%	0.84%	0.84%

Medium Term

No. Transactions	1	4	8	10	12
Financed Amt.	$5,000	$20,000	$40,000	$50,000	$60,000
(Avg. $5,000)					
Revenue- Serv. Fees					
Flat fee 1%	$ 50	$ 200	$ 400	$ 500	$ 600
Total Serv. Fee	$ 475	$ 2,320	$ 3,886	$ 6,121	$ 8,527

Note: Please see Appendix L - Assumptions To Projections for more detailed information.

Marketing Personnel
EFS Personnel dedicated to marketing over the 1996-2000 five year period are projected as follows:

	1996	1997	1998	1999	2000
Senior Management	1	2	2	2	2
Professionals	0	1	2	2	3
Marketing Representatives	2	4	7	10	12
Assistants	2	3	4	5	5
Total	5	10	15	19	22

Marketing personnel will be under the direction of a Vice President-Marketing who will join the company soon after it becomes operational. The Vice President-Marketing will be responsible for developing and implementing EFS's national marketing and sales strategy, and overseeing its regional sales offices. Four regional sales offices will be opened in 1996 and 1997 as follows:

Western U.S.	San Francisco	Beginning 1996
Southern U.S.	Houston	Late 1996
Midwest	Chicago	Early 1997
East Coast	New York	Mid1997

Each regional office will be staffed by a marketing representative with extensive contacts with exporters, banks, trade and industry groups in their geographic areas.

Positioning EFS's Services
EFS will position its services as:

(1) A way to enable participating financial institutions to finance export sales which will provide an additional source of funds for exporters.

(2) The "outsourcing" of export receivables administrative functions.

(3) A specialized form of export finance with quick response time from a company solely dedicated to this business.

(4) Competitive tools which can be substituted for costly and cumbersome foreign bank letters of credit.

EFS will present itself to commercial banks and finance companies as a collaborative partner, which is a source of specialized export credit and receivables administration services for these financial institutions and their customers. EFS will position itself as a

provider of value added export credit and accounts receivable administrative services not readily available in the market place; therefore it will not compete solely on the basis of price.

Advertising and Promotion

Brochures/ Marketing Materials - EFS will develop brochures and other marketing materials for use by its prospective customers. This will be a high priority task to be completed shortly after the company becomes operational.

Newspapers - Selective advertising in low cost local newspapers with a strong commercial subscriber base, such as the San Francisco Business Times and San Jose Mercury News in the Bay Area. Also, EFS will occasionally advertise in major newspapers to emphasize the company's identity and gain national exposure. EFS personnel will use their contacts to get articles written about the company in local newspapers, stressing the impact of exports on the state and national economy.

Magazines - EFS will selectively advertise in trade and industry magazines which are directed at companies whose products are exported. It will also volunteer to write articles on international trade, finance and related subjects for these magazines.

Export Promotion Groups - EFS will join various export promotion groups at the local, regional and national levels.

Trade Groups - EFS will attend or become members of key industry and trade groups whose membership consists of company's which manufacture products for export.

Financial Institutions - EFS marketing/sales personnel will visit local and regional banks and other financial institutions to discuss how EFS's export credit facilities can help their customers. Some of these financial institutions may utilize EFS's export finance and receivables administration services for their customers, or simply make referrals to EFS.

Seminars - EFS will attend and/or sponsor seminars on international trade and finance subjects which attract export oriented companies.

F

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EXPORT CREDIT INSURERS

Export-Import Bank of the United States
The Export-Import Bank of the United States (Eximbank) is an independent federal agency which carries the full faith and credit of the United States Government. Eximbank was established in 1934, and its principal function is to promote the overseas sales of goods and services through loans, guarantees and export credit insurance. Eximbank also helps level the playing field for U.S. exporters by countering the subsidies that other nations provide their competitors. During its 60 years, Eximbank has helped finance more than $290 billion in U.S. exports. During 1993, it supported a record $17 billion in foreign sales.

Eximbank is a key component of the U.S. Government's National Export Promotion Strategy to strengthen overseas sales through a coordinated, targeted, aggressive inter-agency effort in partnership with the private sector. As part of this initiative, Eximbank is actively expanding support for small to medium-size businesses which it has targeted as the largest source of future U.S. export and job growth.

Eximbank operates with a capital deficiency because of operating at a loss for the prior eleven years. These losses resulted primarily from negative interest rate spreads on subsidized medium and long term project loans made in the 1970's and 1980's versus Eximbank's cost of borrowing. This capital deficiency and the "full faith and credit guarantee of the United States Government" on Eximbank's obligations are more fully explained in item 12 of the Notes to Financial Statements in Eximbank's 1993 Annual Report.

Please see Exhibit I.F. for copy of Eximbank's Annual Report.

Private Export Credit Insurers
1) **AIG Credit and Political Risk, Inc.** is part of the American International Group (AIG) which is the leading U.S. based international insurance organization and the largest underwriter of commercial and industrial insurance in the United States. Its member companies write property, casualty, marine, life and financial services insurance in approximately 130 countries and jurisdictions, and are engaged in a range of financial services businesses. Overseas operations account for approximately half of AIG's operating income. AIG's common stock is listed on the New York Stock Exchange, as well as the stock exchanges of London, Paris, Switzerland and Tokyo. AIG holds the highest ratings from the principal rating services: Standard & Poor's AAA, Moody's Aaa, A. M. Best Co.'s A++XV. AIG Credit and Political Risk Inc. provides a full range of export credit and political risk insurance policies.

AIG has been providing Multi- Buyer export credit insurance policies since the early 1980's. It has export credit insurance underwriting offices in New York, Chicago, San Francisco and London. It also provides political risk insurance on foreign investments and

other assets. AIG will provide credit insurance on domestic receivables, particularly if it also insures the company's export receivables.

2) **FCIA Management Company, Inc. (FCIA)/Great American Insurance Company** provides multi-buyer and occasionally single buyer export credit insurance policies. FCIA was previously part of the Eximbank and was privatized in 1992. Its principal shareholder and underwriter is the Great American Insurance Company which has a Best's rating of A (Excellent). FCIA has a very experienced export credit insurance staff. Most of the senior managers of FCIA stayed with the company when it was fully privatized in 1992. The terms and conditions of its policies are in many respects similar to Eximbank's, but much more flexible to accommodate a wider range of eligible insured shipments without limitations on product content and origin. FCIA will also underwrite domestic receivables provided it insures the company's foreign shipments. FCIA puts a very strong emphasis on middle market exporters which it sees as the greatest potential for future growth.

3) **Trade Underwriters Agency Inc./Reliance Insurance Company.** Reliance Insurance Company is part of the Reliance Insurance Group which A. M. Best has rated A- (Excellent). Trade Underwriters Agency Inc./Reliance Insurance Group began underwriting export and political risk insurance earlier this year. It has indicated a strong interest in underwriting export credit insurance coverages for small to medium size exporters. Trade Underwriters Agency Inc. is the program manager for Reliance Insurance company, and its senior management has many years experience in underwriting export credit insurance. Its policies are very well written, and they have been very competitive on rates. The company's management is also very innovative, and interested in developing new products for export credit and related financial services.

Please see Exhibit II.C for 1994 Annual Reports on the above companies.

G.

MANAGEMENT, ORGANIZATION AND RESOURCES

Management

Mr. John G. Olsen, President and Chief Executive Officer of EFS has for three decades been involved in the related fields of export finance, credit insurance and international trade. He pioneered large syndicated Eximbank insured buyer credits in the 1980's through Pacific Overseas Finance Company (POFC), a company he co-founded in 1977. Over the years, major shareholders of POFC included Greyhound Financial Corp., Philadelphia National Bank, Crocker National Bank and Creditanstalt Bank. Mr. Olsen was Chairman and CEO of POFC until his equity interest was sold in 1986 to Creditanstalt Bank of Austria.

POFC established the first Eximbank insured buyer credits in developing countries for such companies as Pemex-Mexico, Siderbras-Brazil, Philippine International Trading Company-Philippines, etc. involving in excess of a billion dollars of Eximbank insured export shipments. At POFC, Mr. Olsen developed complex operating procedures to monitor Eximbank insured payments to hundreds of U.S. suppliers, repayments from borrowers, and management of export loan syndications with participating banks.

Mr. Olsen also was for many years Chairman and CEO of Export Credit Insurance Associates Inc. (ECIA), a leading credit insurance brokerage company which he co-founded in 1977 and sold in 1992 to the Hogg Group PLC of London. He resigned in September 1993, as Chairman and CEO of Credit Insurance Associates, Inc. successor of ECIA. Since September 1993, Mr. Olsen has been concentrating his activities in Trade Resources, Inc., an investment banking and financial services company established in 1976.

Mr. Robert S. Martin, Vice President and Chief Financial Officer of EFS was Vice President of Novadyne Computer Systems Inc., Santa Ana, California from 1992 to February 1995 when he joined EFS. Novadyne is a privately owned $80 million (revenue) computer service company. He was responsible for all accounting, finance, information systems and administrative activities of the company, and supervised a staff of 40 professional and clerical people.

From 1987-1991, Mr. Martin was Vice President-Finance of AT&E Corporation, San Francisco, a publicly traded development stage telecommunications company. He established and managed all accounting, budgeting and SEC reporting activities for the company. Mr. Martin also served as the company's European General Manager where he organized independent market research projects in Europe, and directed the development of business and investment plans with prospective partners.

From 1980-1987, Mr. Martin was Vice President and Chief Financial Officer of TXL Corporation, San Francisco, a capital equipment leasing company acquired in a leveraged buyout from Itel Corp. and which was subsequently sold to Genstar Corporation. He was Division Controller of Itel Corp., San Francisco, (1977-1979). Between 1977 and 1987,

the Itel/TXL Group financed over $2 billion of capital equipment. He was an Audit Supervisor with Touche Ross & Co., San Francisco,(1973-1977). Mr. Martin is a Certified Public Account (California), and has had extensive merger and acquisition, SEC and investment banking experience in his various corporate capacities.

Mr. Robert H. Hart, Vice President of EFS has over 15 years experience in all aspects of international trade and finance. His extensive hands-on experience in concluding complex trade and finance transactions in Eastern and Central Europe (including the Newly Independent States of the former Soviet Union), Latin America and the Pacific Rim, has helped many U.S. exporters in successfully meeting the challenges of conducting trade in these formidable markets.

Mr. Hart is presently President of International Trade & Resources Corporation (ITRC), an international trading company. Prior to founding ITRC in 1993, Mr. Hart was employed from 1988-1992 by Creditanstalt-AWT (CAWT) which was the trading and trade finance services subsidiary of the Creditanstalt-Group, Austria's leading banking and industrial concern. Mr. Hart headed CAWT's operations and credit administration group as well as the company's West Coast Regional Office. His responsibilities included overseeing its finance, trading and consulting services divisions with particular emphasis on business development, marketing and structuring complex trade and finance facilities for overseas buyers.

From 1983-1988 Mr. Hart was head of operations for Pacific Overseas Finance Corporation which was a major provider of Eximbank backed trade finance facilities to the export community. From 1979-1983, Mr. Hart worked for Wells Fargo Bank where his last position was manager of the International Loan Syndication Division. Over the years he has maintained excellent working relationships with key individuals in the trade finance and trading community, as well as in government and private industry.

The extensive backgrounds of Messrs. Olsen, Martin and Hart in the areas of marketing, finance, operations and credit administration incorporates the experience required to make EFS a successful venture. They have identified key management personnel with extensive marketing, and operational expertise who have indicated an interest in joining the company when it becomes operational.

Organization and Structure

Functions of EFS

EFS will be organized along functional lines. The company will have four main operating groups. During the start up period, certain employees will be involved in more than one of the following functions:

1) Marketing - responsible for developing and implementing marketing strategy; originating customers; developing proposals, liaising with export trade promotion groups (local, state and national) and participating financial institutions; providing support to existing customers and developing new products.

2) Operations - responsible for designing and implementing computerized operating procedures and systems for the purchase, funding, monitoring and securitizing export trade receivables; develop criteria for design, purchase and implementation of computer and telecommunications software and hardware; Operations will include two broad functions: 1) manuals and systems support for exporters and participating financial institutions, and 2) internal systems for tracking financed export receivables, shipment documentation, credit approvals and export credit insurance requirements. The exporter manuals and systems will be a key to standardizing the documentary preparation for the underlying trade transaction and resulting export accounts receivable.

3) Credit Administration - responsible for developing and implementing credit administration procedures, manuals and systems for review of exporters, foreign buyers, compliance with export credit insurance policies, preparation of applications for approval of exporters, Special Buyer Credit Limits (SBCL), monitoring the payment of premiums, filing past due reports and timely submission of claims documentation; establish claims processing procedures and controls; order credit reports on exporters and foreign buyers; close coordination with Operations in developing and implementing computerized operational and telecommunications systems and controls for tracking status of financed export receivables, and compliance with terms and conditions of export credit insurance policies.

4) Finance and Administration - responsible for establishing and implementing accounting, budgeting, treasury, financial planning and preparation of periodic financial statements, investing surplus funds, arranging and monitoring warehousing and securitization facilities, and liaising with securities and merchant banking firms regarding placement of securities. Please see page 45 for various servicing functions to be performed by EFS on behalf of trusts established to securitize the export loans. Administrative functions include employee benefit plans, company insurance, personnel and facilities management.

Please see Appendix O.4 for Diagram of Organizational Information Structure.

Capital and Potential Investors
EFS will be capitalized at $14.0 million, and operate as a Limited Liability Company. The capital provided by members will consist of $4.0 million of common interests and $10 million of participating preferred interests. Potential investors are large public and private pension funds; also major commercial and financial companies which can provide existing marketing infrastructures to EFS, and who in turn, will receive significant collateral benefits to their primary lines of business from their investments in EFS. Such companies include: risk management software and systems companies; investment firms with access to pension and other institutional investors interested in purchasing the securitized export trade receivables; commercial banks with a national network of affiliates and branches, and strong international capabilities; and major freight forwarding companies with a national sales force and worldwide operations.

For more detailed financial information please refer to the section on "Export Finance Systems: Investment Opportunity" page 49 and "Financial Projections" in Appendices L & M.

Outside Advisors and Resources

The company will utilize outside consulting firms such as Andersen Consulting and Electronic Data Systems (EDS) to assist it in designing and implementing on-line computer and telecommunications networks.

EFS will periodically use investment bankers to advise it on financial timing, interest rates and to provide underwriting capability for placement of commercial paper, and securitization of its export loan portfolio.

The company's outside legal counsel is Morrison & Foerster who will prepare and review all of its legal documentation.

EFS will also use consultants for advertising media and preparation of brochures and other marketing material.

H

OPERATIONS, CREDIT AND FUNDING

Operations

Operations will include two broad functions:

A) Manuals and systems support for exporters and participating financial institutions. The exporter manuals and systems will be a key to standardizing, and computerizing the documentary preparations for the underlying trade transaction and resulting export receivables.

B) Internal computerized operational systems and procedures for purchasing, funding/securitizing, monitoring, documenting and recording purchased/financed export receivables.

The internal operating systems of EFS will be integrated, and on-line with the exporter systems developed to standardize the documentary preparation for the underlying trade transaction. This will allow computer downloading from the exporter to EFS of key information on export receivables, analyzing shipping documentation, status reports, premium reports, past due reports, etc. This information can be stored digitally, and retrieved when necessary for preparation of periodic reports to the insurers and for processing of claims.

Implementation Objectives

EFS will implement its computerized export finance and receivables administration systems based upon four primary objectives:

1. Efficient delivery of export financing and receivables administration services to small and medium-size exporters;

2. Organize export finance documentation to meet credit insurer's policy mandates;

3. Provide instant access to documentation through electronic imaging and computerized document management system;

4. Create an extensive exporter/buyer/documentation database for marketing, administration and management information purposes.

Pre-qualification of Exporter

Contacts with prospective exporter clients are initiated by participating financial institutions in collaboration with EFS's marketing personnel. In the pre-qualification phase, an informational exchange is conducted between the responsible EFS marketing officer and the exporter. An EFS computerized questionnaire form is provided to the exporter to ascertain and organize appropriate information submitted by the exporter (i.e., exporter's financial information, buyer information, sales terms, buyer payment history,

freight forwarder information, bank/trade references, etc.). This data is then electronically captured and stored into EFS's computer database for approval processing.

Once the exporter's information is stored in EFS's computer system, this information can then be processed and manipulated to generate specific reports and application forms for credit approval and insurance application submission. Concurrently, a status/progress report can be generated to assist the marketing personnel to track the approval process.

<u>Approval of Exporter</u>
Once credit and insurance approval is granted to an exporter, EFS can then activate the exporter's pre-established account (set-up during the pre-qualification phase) to await utilization. At the same time, an "Exporter Package" will be generated by EFS's computerized system for presentation to the approved exporter.

This Exporter Package will include:

1) A congratulatory cover letter;
2) A general information booklet on EFS's financing program;
3) The EFS *Exportline* software program diskettes;
4) A "Let's Get Started" manual, a very brief and to the point installation manual to help the exporter load the program software onto his computer and begin using it;
5) A tutorial manual with a tutorial program diskette. This is a more detailed reference manual which basically replicates the user's manual embedded into the software;
6) An 800 telephone number for technical assistance.

<u>Utilization, Maintenance and Service Support</u>
Monitoring utilization and on-going service support will be the responsibility of EFS's Operations Group.

Utilization of the EFS financing program and the related software will be relatively transparent and effortless to the exporter. This is accomplished through the usage of EFS's computerized shipment and finance management system installed at the exporter's site. This program can function either as an off-line, user based system, or it can interact on-line via modem with EFS's host computer system for certain applications (i.e., transmit shipment reports and electronic images of shipment documents, update/validate credit availability, buyer payment information/status, retrieve archived documents, etc.).

Under both EFS's in-house system and the exporter's remote system, the exporter's sales can be electronically traced from their inception until the shipment invoices are repaid by the exporter's buyers. As part of this tracking process, EFS's software can manage the exporter's credit line (i.e., availability, usage, interest calculation and payments, etc.), track progress of pending sales, generate documentary checklist, activity reports, diaries, shipment reports and make financing requests to EFS electronically.

Furthermore, the exporter's shipment activities, as well as supporting documentation, can be electronically transmitted to and stored in EFS's computerized shipment monitoring and finance management system. Disbursement of the financing proceeds can be electronically transferred into the exporter's account based upon approvals of the shipment financing requests received by EFS. Also, collection of the exporter's receivables can be paid into a "lock-box" arrangement at EFS, and provide automatic information updates to the exporter's and EFS's computer systems.

In the event of a claim, archived documents can be readily and immediately retrieved, organized and submitted to the insurer to expedite payment to EFS.

On a periodic basis, reports, audit proofs, and other general or transactional information (i.e., accounting entries, utilization history, credit information, etc.) can be automatically generated or distributed among the marketing, operations, finance, and credit administration groups. This will allow the various EFS functional groups to administer their respective responsibilities (i.e., Finance/Administration: accounting, cash disposition/funding; Credit Administration: credit insurance monitoring, documentation compliance; Marketing: customer utilization history; etc.).

Also, notices of reminder (i.e., credit availability notices, renewal notices, dunning notices to delinquent buyers, etc.) can be generated and sent out on a demand basis.

Additionally, the extensiveness of the data captured by EFS's computerized system will provide an invaluable database for both EFS and its clients. This will provide future marketing tools and/or products for EFS to exploit.

By standardizing and computerizing the documentary flow of information, a large volume of shipments and resulting export receivables can be handled efficiently by a relatively small number of operations personnel.

<u>Systems Integration</u>
EFS will engage a major computer/telecommunications systems integration company, such as Andersen Consulting or Electronic Data Systems (EDS), to help design and implement an integrated on-line computer and telecommunications network for financial, operational, credit and archival systems.

In conjunction with the consulting company, EFS's Operations Group will:

1) Develop a detailed understanding and definition of its requirements.

2) Investigate the various alternatives and design the computer and telecommunications network.

3) Prepare a request for proposals from various vendors.

4) Evaluate the competitive proposals, and select vendors for the software and equipment.

5) Install and operate the computer and software systems.

Please see Appendix N - Systems Integration Memorandum - Andersen Consulting.

Credit Administration
The Credit Administration Group will develop and implement (in close coordination with the Operations Group) credit procedures and systems. Such credit systems will encompass:

1) Review of Applications for Approval of Exporters including financial statements of exporters.

2) Review of Buyer Credit Limits on each foreign buyer and maintenance of appropriate credit information.

3) Monitoring compliance with terms and conditions of export credit insurance policies, particularly in relation to:

a) Acceptability of Exporter Risk for co-insurance and deductible amounts under the policy.

b) Foreign Buyer credit risks - evaluating financial statements required for large Buyer Credit limits on foreign buyers.

4) Establish system for ordering credit reports, bank reports and trade checkings on foreign buyers.

5) Work closely with the credit underwriters of Eximbank and the private insurers.

6) Collections- set up procedures for collection of past due accounts and rescheduling of accounts with approval of the insurers.

7) Claims Documentation - establish procedures and systems for filing claims with the insurers for export accounts receivable which are in default.

Monitoring Export Credit Insurance Policies
EFS's computerized operational and credit administration systems will track compliance with export credit insurance requirements such as:

Dollar Limits - The following dollar limits must be observed at all times. They are:
1) Overall Policy Limit

2) Buyer Credit Limits approved for each buyer.
3) Discretionary Credit Limits (DCL):
   (a) DCL's for new buyers
   (b) DCL's based on prior payment experience

Policy Issuance and Expiration Dates - All shipments must be within the issuance and expiration date of the policy, Buyer Limits and related endorsements.

Sales and Payment Terms - All sales must:

1) Be made pursuant to a written contract between the exporter and buyer, setting forth the terms and conditions of the sale, a description of the product, the purchase price and terms of delivery and payment.

2) Require payment in the U.S. and in U.S. dollars.

3) Require payment in full within the terms authorized in the Buyer Credit Limit or Discretionary Credit Limit which ever is applicable.

Products - All products sold must be:

1) New and unused (unless otherwise agreed with the insurers.)

2) Have at least 51% U.S. Content, exclusive of any price mark up (for Eximbank only).

3) Not be defense/military related (Eximbank only).

4) Be shipped from the United States (Eximbank only).

Country Limitations - Special conditions are required on certain countries which are set forth in the Country Limitation Schedule of the policy. Please see Exhibit I.G for a specimen copy of Eximbank's Country Limitation Schedule.

Past Dues and Financial Difficulty - If any of the buyer's obligations are over 90 days past due (for amounts agreed upon with the insurer), or if the exporter has knowledge of a buyer who is in financial difficulty, then the exporter must:

1) Report this under the reporting requirements of the policy.

2) Not extend or reschedule any of the buyer's obligations (unless approved by the insurer.)

3) Not make any more sales or shipments to such buyer (unless approved by the insurers).

Eligible Shipments - An eligible shipment generally consists of the following:

1) There is a legal and valid sale evidenced by a written contract between the exporter and buyer.

2) It does not exceed the overall policy limit, the buyer credit limit or discretionary authority.

3) The product is sold and shipped in accordance with the terms of the sales contract and within the validity dates and other provisions of the policy.

4) The shipment is adequately documented.

Documentation - Exporter should have copies of the following documents to evidence shipment:

1) Purchase order or sales/service contract

2) Promissory note, trade draft or equivalent. For open account sales, the invoice and underlying purchase/sales contract document the evidence of indebtedness.

3) Commercial invoices.

4) Inland bills of lading.

5) Ocean bills of lading

6) Export license (if applicable)

7) Import license (if applicable)

8) Other documents or certificates required or incidental to the sale or shipment.

All documents must clearly indicate the name and address of the exporter and the buyer. The documents must also demonstrate that the product was produced, sold, shipped and delivered to the buyer in accordance with sale/service/purchase contract.

Reporting Requirements

1) File monthly reports of all amounts (over an agreed upon limit) which are past due more than 90 days.

2) File monthly premium and shipment reports (if required). Some policies require premium payment in advance with an adjustment at end of the policy period.

3) File immediately any notice of buyer's financial difficulty.

Claims - Complete Notice of Claim and Proof of Loss Form, properly signed by the insured. (See Exhibit I.H for copy of Eximbank's Notice of Claim and Proof of Loss Form.). This form specifies the supporting documentation that must accompany this form. The most important documents to substantiate a claim are: The purchase/sale contract, the commercial invoice and bill of lading evidencing shipment to the buyer.

There are numerous other terms and conditions of specific export credit insurance policies which must be carefully monitored to assure effective coverage.

Funding - Securitization
EFS will use its preferred paid in capital to fund its initial export loans up to approximately $10 million. When export loans approach this level, EFS will arrange secured warehousing lines of credit to fund additional export loans of $20-25 million. At this level, EFS will securitize the pool of revolving export loans of EFS and participating financial institutions in two trusts, i.e. Government Insured Export Loans Trust for loans which are secured by Eximbank insured receivables and Insured Trade Loans Trust for loans secured by privately insured receivables. As Servicer and Packager of the Trusts, EFS will perform the following functions:

A. Origination - EFS and participating financial institutions will originate export loans and "warehouse" them until they are securitized in the Trusts.

B. Packaging and Consolidation - The export loans are pooled in their respective Trusts. Average maturities of the pooled loans are determined. The trusts will be over collateralized by approximately 120% of the amount of participations to be sold in the trust. This additional 20% of collateral is to compensate for any deductible, and co-insurance amounts under the credit insurance policies which secure the underlying trade receivables against non-payment. Any trade receivables more than 90 days past due will be processed by EFS for claims payment.

C. Placement - EFS will work with securities and/or merchant banking firms to arrange for placement/underwriting of pass-through participation certificates to finance the trust.

D. Servicing - EFS provides ongoing servicing to the trust, investors, export companies, originating banks, securities firms/merchant banks, Eximbank or private credit insurance companies and regulating agencies.

Please refer to Appendices O.2 & 3 for Diagrams of the Export Credit Pass-Through Process and Export Credit Pass-Through Structure.

Securitization Background

The techniques of securitization that EFS will utilize for export loans secured by receivables insured by Eximbank, and highly rated private insurers will draw from the experience of other financial institutions in securitizing similar types of revolving short term debt obligations. The specific security will take the form of a "pass-through" certificate. Pass-through securities are formed when financial assets are pooled together and undivided interests in the pool are sold. The sale of a pass-through security represents a sale of assets and is not a debt obligation of the originator. The cash flow from the underlying financial assets form the periodic payments of interest and principal.

A number of different characteristics must be present for assets to be securitized. First, the underlying original market for the financial assets must be large enough for the resulting certificates to be issued in volumes that permit liquidity. Second, the assets must be of a credit quality that is clearly identifiable, with acceptable risks or insurance or guarantees. Third, if the asset is insured/guaranteed, it must be in a form which ensures that timely recoveries on payments can be made. Fourth, the underlying assets themselves must be sufficiently uniform in structure that they can be treated in a "consistent" manner, and organized to match their cash flows with the required repayments of the pass-through certificates. The cash flows must be projectable, with a sufficient statistical history to project portfolio characteristics. Fifth, there must be a sufficient number of assets to diversify risk, regardless of the form of insurance or guarantee on the loans. Finally, factors such as prepayments, defaults, timing of recovery, or impacts from restructuring must be sufficiently predictable that their impacts can be properly projected to potential investors.

Residential mortgages are the most common type of asset securitized to date, with the majority being handled by quasi-government entities. The first and largest insurer of such securities is the Government National Mortgage Association (GNMA), commonly known as "Ginnie Mae." The mortgage pools underlying the GNMA pass-through certificates are made up of FHA-insured or VA-guaranteed mortgage loans. GNMA pass-throughs are backed by the full faith and credit of the United States Government. GNMA guarantees the timely payment of principal and interest on its securities.

In recent years investment bankers have securitized a wide range of short, medium and long term financial assets. These assets have ranged from auto loans, bank credit card receivables, domestic trade receivables, lease payments, etc.

The savings anticipated by securitization over standard financings are estimated to run from 100 to 200 basis points. These savings are based on estimates of the relative cost of bank lending versus securitized asset lending. The certificates of trusts serviced by EFS will have a similar structure, and its underlying assets (export loans) will be secured by

export receivables insured against default by export credit insurance policies issued by Eximbank and private insurance companies.

Legal Documentation

EFS,s outside legal counsel, Morrison & Foerster will review and prepare all of the companies corporate legal documents.

Morrison & Foerster's initial work will involve the following:

1. Determine appropriate legal structure for EFS in order to provide the flexibility to operate on a national basis, limit liability to the company and its shareholders and provide the most advantageous tax advantages to the company and its shareholders. Based on initial research it appears that a Limited Liability Company (LLC) structure is most appropriate for EFC. LLC legislation was recently approved in California and is now approved in over forty other states.

2. Determine the necessary corporate licenses for the company to operate as a finance company.

3. Name availability and trademark protection must be examined on a national basis.

4. File Articles and By-Laws of the Company

Morrison & Foerster will prepare the following documents for EFS:

1. Export Receivables Financing Agreement

2. Pledge of Accounts Receivable Agreement

3. Subordination Agreement

4. Administrator Servicing Agreement for Umbrella Policy

5. Securitization Documents:

    (a) Trust Agreement
    (b) Assignment of Export Loans Agreement
    (c) Assignment to Trust of Export Credit Insurance Proceeds Agreement
    (d) Servicing Agreement between Trust and EFS
    (e) Trustee/Custodial Agreement
    (f) Pass-Through Certificate representing "shares" in the Trust.

Some of the documents that Morrison & Foerster must review for EFS are:

(1) Perfection of security interest in export accounts receivable under the Uniform Commercial Code (UCC).

(2) Eximbank export credit insurance policies

(3) Private insurers' export credit insurance policies and related documents.

(4) Assignment of Policy Proceeds Forms

(5) Notice of Claim and Proof of Loss Forms

(6) Eximbank Working Capital Guarantee Program Documents

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EXPORT FINANCE SYSTEMS: INVESTMENT OPPORTUNITY

The Proposed Investment

EFS will operate as a Limited Liability Company(LLC). The Company is seeking equity investments from members in a combination of $4,000,000 of Common Interests to fund the start-up of business operations, and $10,000,000 of Participating Preferred Interests to fund the financing of EFS's participation in export loans.

Management believes that capitalizing the Company at $14,000,000 is necessary to support EFS's startup operations and participation in export loans, provide credibility to Eximbank and private insurers, and support warehousing lines and/or the securitization of export loans.

In return, investors could expect at the end of five years, an annualized return on their investment in excess of 13% for the Participating Preferred Interests and 32% for the Common Interests.

Exit Strategy; Return on Investment

There appear to be a number of potentially viable exit strategies for realizing a return on the investment. There could be a number of large institutions interested in acquiring a financial services organization like EFS, once it has established itself as a market leader and demonstrated the growth potential and profitability of this business. A public offering is an equally likely prospect, assuming an adequate IPO market.

The forecasted IRR and absolute dollar return to the preferred and common interests of investors at various realization dates, assuming the investment described in this memorandum and an exit multiple of 8.0 times Pre-Tax Income is as follows:

($000)	Year 1	Year 2	Year 3	Year 4	Year 5
Preferred Interests					
IRR Base Case	n/a	n/a	n/a	13.0%	13.2%
Net Proceeds	n/a	n/a	n/a	$14,200	$15,900

($000)	Year 1	Year 2	Year 3	Year 4	Year 5
Common Interests					
IRR Base Case	n/a	n/a	n/a	3.9%	32.1%
35.6%					
Net Proceeds	n/a	n/a	n/a	$4,700	$16,089

Please refer to Appendices L & M for details on Assumptions and Financial Projections.

Benefits of Investing In EFS

A. The Annualized Internal Rate of Return in excess of 32% on the Common Interests and 13% on the Participating Preferred Interests is very good for a financial services company whose principal assets (export loans) are secured by accounts receivable insured/guaranteed by the U.S. Government (Eximbank), and highly rated private insurance companies.

B. Once EFS has established its growth potential and profitability there are a number of ways for the initial investor to realize the appreciation on its investment, or simply to exit the investment at an early stage. Some of the potential future investors are:

1. Large banking groups with a national franchise.

2. Software and systems companies specializing in risk management products and services for financial institutions and insurance companies.

3. Major secured commercial lending groups with a national branch network.

4. Large freight forwarding companies which provide shipping services to EFS's exporter customers and prospects.

5. Foreign commercial and financial groups looking for an entree to the U.S. middle market.

6. Large investment banks interested in acquiring an entity which generates and services securitized assets for sale to its clients.

7. An initial public offering after EFS has established a 3-4 year history of regular earnings.

C. For public and private pension funds there is not only the high return on its capital investment, but the added collateral benefits of assisting in economic growth and job creation at the state and national levels.

<u>Expenses</u>
A portion of the initial proceeds will be used to repay expenses associated with the formation of the Company and development of its products. These expenses include travel and entertainment, telecommunications, legal, marketing databases, 1/2 of accrued salaries, software, mail, supplies, publications, printing, conferences, computers, training, research, etc. These expenses will not exceed $175,000.

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RISK FACTORS

General New Business Risks

The purchase of EFS common and preferred interests involves a substantial degree of risk, and should be carefully considered by the investor. EFS is a new venture and is subject to all the uncertainties of any new venture, as well as certain risks specific to its business. The company has no operating history and has generated no revenues to date. It has insufficient prior capital to support its implementation efforts.

While the company believes it can achieve the forecasts set forth in the accompanying financial projections, such forecasts are based on management's assumptions that have no basis in actual operating experience. The matrix of assumptions which drive the revenue forecasts i.e., the size (average annual exporter shipments), number of accounts, mix of accounts (small, medium and large), phase in of accounts, percentage of annual account attrition rate, finance fees based on size of accounts, interest rate charges and interest rate earned on investments are based on management's best judgment, and many years experience in related or similar fields of business. These assumptions will need to be fine-tuned based on actual operations and marketing experience.

The forecasted expenses reflect management's best estimates and many years business experience. The expenses for developing and maintaining the computerized operational and telecommunications systems to control, monitor and securitize the receivables are particularly difficult to project. Projecting revenue and expenses over a five year period with no prior direct operating experience cannot possibly anticipate all potential uncertainties during such a long period.

The risks specific to EFS's business are 1) operational risks - perfecting computerized systems which support the monitoring of export receivables, 2) the risks of export credit insurance policies which secure the export receivables, 3) the recruitment and retention of experienced trade finance and operations personnel, 4) competition and barriers to entry, 5) securitization risks and 6) appropriate legal structure for EFS to limit risk and minimize taxes to EFS and its shareholders. These various risks specific to EFS are discussed in detail below.

Operational Risks - Perfecting Systems and Documentation

EFS will be financing export receivables of numerous U.S. exporters who are making repetitive shipments to many foreign buyers which will be insured under export credit insurance policies issued by Eximbank and private insurers.

EFS must establish highly integrated computerized operational and control systems to efficiently monitor the quality of numerous export receivables, document credit approval of transactions, assure compliance with the terms and conditions (including claims documentation) of export credit insurance policies. To accomplish this, EFS will develop computer programs which integrate on-line the exporters' receivables, insurance and shipping documentation systems with EFS's operational and telecommunications systems.

Export Credit Insurance/Guarantee Risks
The export credit insurance policies of Eximbank insure (guarantee) receivables against non-payment due to credit and political risks, and do not insure against non-performance by the exporter. Also, the portions of the export receivables representing co-insurance and deductible amounts are not covered by the insurance. Therefore the following risks must be evaluated:

(1)The First Loss Annual Deductible Risk. Export receivable losses must exceed this amount before export credit insurance becomes applicable. Generally, the first loss annual deductible ranges from 1/2 to 1% of sales volume depending on the volume, payment terms, discretionary credit limit required, and spread of risk (countries). This deductible risk can be mitigated by the credit standing of the exporter and decreasing the percentage of receivables' financed value in order to build up adequate reserves.

(2) Co-Insurance Risk. There is a 5-10% co-insurance risk under Eximbank policies and 5-20% under private insurance policies. This co-insurance can be mitigated by having full recourse to the exporter, and/or decreasing the percentage of receivables' financed value.

(3) Exporter-Non Performance Risks. The non-performance risks include trade and product disputes, shipping ineligible products, not shipping within the policy issuance and expiration dates, non-approved payment terms, non-payment of premium and not complying with other terms and conditions of the export credit insurance policy and related endorsements. These risks can be mitigated by limiting exporter clients to exporters with at least three years prior exporting experience, good credit standing and implementing EFS's integrated computerized operational and telecommunications systems to track the receivables, export credit insurance and shipping documentation. For smaller exporters insured under the Eximbank Umbrella and Small Business policies a special "Hold Harmless Assignment" is available which protects EFS against the exporter non-performance risks.

(4) Waiting Period for Filing Claims. Under Eximbank policies there is a 90 day waiting period from date of default before a claim can be filed. For private insurers the waiting period generally varies between 90 and 180 days, depending on the insurance company, for protracted default claims. For insolvency claims, there is no waiting period. Overdue interest coverage is provided by both Eximbank and the private insurers up to the earlier of 180 days from default or date of claim payment, except for AIG which pays up to the date of default.

Recruitment and Retention of Key Personnel
The specialized and interdisciplinary nature of EFS's business will require the company to recruit and maintain highly qualified trade finance, marketing, operations, finance and administrative personnel. Current personnel is not capable of solely implementing all the functions of the company.

To attract and retain highly qualified and experienced personnel, the company will rely on a variety of incentives, including competitive salaries, profit sharing and option programs.

Competition; Barriers to Entry
The principal barriers to entry for a national export finance systems company are:

1) Large capital investment required. Any company interested in entering the export finance systems market must make a significant capital investment to finance the start-up period, large investment in state-of-the-art computer and telecommunications technology, warehousing export loans prior to securitization, and supporting the securitization process.

2) Experienced Personnel. There is limited personnel familiar with all aspects of export receivable financing including trade finance, export credit insurance, and securitization of export loans. Such personnel must also have established credibility with Eximbank, private credit insurers and investment bankers.

3) Computerized Operational Systems. Having a highly integrated on-line computer and telecommunications system is essential to monitoring the export receivables, shipping documentation and related insurance. Computerized operational and telecommunications systems are also crucial to reducing transaction costs. The cost and experience required to develop the software, hardware and networks of such a sophisticated system is a major barrier to entry in this business.

4) National Perspective. The company must have a national perspective to generate the export receivable volume required to hold down transaction costs, warrant the investment in computerized operational and telecommunications systems, not be subject to the economic and industry limitations of local and regional markets, and rationalize the cost of securitizing the export loans.

Securitization Risks
The impact on the securitization process of timing factors such as waiting periods for collection of export insurance claims on defaulted receivables, exporter non- performance, prepayments, co-insurance, deductible amounts etc. must be evaluated and properly projected. These risks can be mitigated by over collateralizing the trust. Also, the timing of interest rates and having underwriting commitments are very important.

Appropriate Legal Structure.
The appropriate legal structure for EFS must give it maximum flexibility to operate on a national basis, limit liability to the company and its shareholders, and provide the most advantageous tax advantages to the company and its shareholders. Initial research has determined that a Limited Liability Company (LLC) structure is the most appropriate for the company. LLC legislation was recently approved in California and over forty other

states have approved similar LLC legislation. Also name availability and trademark protection in various states must be carefully explored.

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TIMELINE; INITIAL MARKETS; MAJOR MILESTONES

Overview
EFS expects to obtain final approval of the investment by December 1995, and become operational at that time. Its management will immediately implement an aggressive marketing and sales program in order to quickly develop a core group of accounts. At the same time EFS will be perfecting its operational, credit administration and computer/telecommunications systems.

Initial Markets
Marketing efforts will be initially concentrated on companies in the Western states, primarily California, and Washington (combined exports of $100 billion) and other adjacent states. Targeted companies will be manufacturing and wholesale firms in high value exporting industries in these states, such as telecommunications, computers, electronic equipment, transportation equipment and parts, medical instrumentation, and various types of capital equipment and parts. Also, targeted will be environmental equipment manufacturers which are highly concentrated in the Western states, and whose products are in strong demand in foreign markets.

Major Milestones for Year One
First Quarter
Hire senior Marketing and Operations managers.

Develop framework of accounting, financial reporting, exporter documentary control and operational systems.

Complete Brochure and other marketing materials.

Select computer/telecommunications consulting company.

Implement marketing and sales plan with emphasis on Western states.

In conjunction with the consulting company, design the computer/ telecommunications systems and prepare "Requests for Proposals" from various vendors.

Second Quarter
Evaluate competitive proposals and select computer/telecommunications vendors for hardware and software.

Begin installation of some of the initial computer/telecommunications systems.

Implement Credit Administration procedures and systems, including claims processing. Credit Administration responsibilities will be assigned to one of EFS's senior managers until sufficient export receivable volume is developed to warrant a full time person in this position.

Book first three accounts - 2 small and 1 medium account.

Third Quarter
Operations, export receivables control, credit administration and computer/telecommunications systems fully installed and operational.

By end of Quarter, project having11 accounts - 5 small, 4 medium and 2 large.

Open Regional Sales Office in Houston.

Fourth Quarter
Hire manager for Credit Administration.

Project having 19 accounts - 8 small, 7 medium and 4 large.

Strategic Alternatives; Exit Strategy
During the first year, EFS senior management will be closely monitoring the company's strengths and weaknesses. At the same time, it will be evaluating the advantages and disadvantages of having one or more strategic partners with a national presence who can source business to EFS. This could take the form of strategic alliances and/or possible minority investments in EFS. Such strategic partners could include major banking groups with a national presence, risk management software and systems companies, foreign banking groups looking for an entree to the U.S. middle market, secured commercial lending institutions with a national branch network, international freight forwarding companies with offices throughout the United States and overseas, and investment banking firms interested in underwriting and distributing securitized assets.

Should the initial investors wish to reduce or exit their equity participation in EFS, these potential strategic partners could provide the vehicle for accomplishing this goal.